



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1788 (1951)

August 29, 1988

SUBJECT: Internal Revenue Service Offset

TO: State Directors

Purpose/Intended Outcome: Last year, FmHA participated in the Internal Revenue Service (IRS) offset program and collected an average of \$440 for each borrower offset. The purpose of this AN is to explain the policies and procedures that must be followed to implement IRS offset for the 1988 Tax Year assuming legislation is passed to extend the program.

Comparison with previous AN: AN Number 1649 dated September 17, 1987, also required field office review of borrowers proposed for IRS offset.

Implementation Responsibilities: State Directors are responsible for ensuring that field offices comply with the requirements and deadlines established by this AN.

Borrowers referred to IRS for offset will continue to be serviced as required by FmHA Instruction 1951-G. Offset will again be limited to Single Family Housing (SFH) borrowers who are 3 months or more delinquent and meet certain other criteria.

The Finance Office prepared a list of all borrowers who may be eligible for offset based on the July 580 and 582 Reports (RC 580 and 582). The enclosed list (provided to servicing counties only) must be reviewed by the field offices. The objective is to have a complete list of borrowers who are eligible for IRS offset. Therefore, borrowers meeting any of the following criteria must be eliminated from IRS offset by drawing a line through the borrower's name.

1. Account is less than 3 monthly payments delinquent (or, for annual payment borrowers, the equivalent of less than 3 monthly payments delinquent) or more than 9 years delinquent.
2. Account has a bankruptcy action pending (BAP).
3. Account has a foreclosure action pending (FAP).
4. Account has a transfer pending (TP).
5. Account is subject to approved adjustment (SAA).
6. Account has a current moratorium.

EXPIRATION DATE: December 31, 1988

FILING INSTRUCTION: Preceding
FmHA Instruction 1951-C



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7. Account has a suspend code.
8. Account has a total delinquency less than \$25.
9. Account has a total unpaid balance (principal and interest) that is less than \$100.
10. Account has been referred to a collection agency, returned from a collection agency, or is coded as a collection-only account.
11. Account has a loan that is ahead of schedule.
12. Account currently has an Additional Payment Agreement (APA) established.
13. Borrower is a Federal employee, a member of the active reserve, or an employee of the U.S. Postal Service.

When all borrowers meeting the above criteria have been lined off the listing, the original of the list "Borrowers Eligible for Offset (Prior to 60-day Letter)" will be sent to the Chief, Computer Resources Branch, Mail Code FC-353, in the Finance Office. These lists must be received by the Computer Resources Branch before September 28 since the Finance Office will use information provided on these lists to generate letters to borrowers informing them of potential IRS offset. No borrowers may be added to this list by field office.

Two reports generated by IRS are enclosed in addition to the eligible borrowers list. These are:

1. Report Code 822A, Annual Pre-Offset Unprocessable Report. This report will display those borrowers submitted to IRS on August 8, 1988, to determine their latest mailing address, but who were found to be unprocessable by IRS due to the error code(s) listed on the report. If the error code on the report is 03, invalid name control, the first four characters of borrower's last name do not agree with the first four characters of the last name identified with that Social Security Number (SSN) on IRS records. If the error code on the report is 04, the SSN provided to IRS by FmHA is not valid. In either case, the County Office will update the borrower's record in the Finance Office accounting system using the field office terminal system.

2. Report Code 822B, Annual Pre-Offset Address Request Report. This report lists each of the matches between FmHA's list of delinquent borrowers and IRS files and provides an address for the borrower as shown in the Finance Office accounting system, and if the IRS address is correct, the County Office will update the borrower's record in the Finance Office accounting system using the field office terminal system. This report will list many borrowers not shown on the eligible borrower list because of additional Finance Office screening after the initial submission to IRS.

A copy of the list of borrowers eligible for offset will be kept by each field office. Field offices must ensure that accounts recommended for offset are updated immediately to reflect any of the above exclusion criteria (1-13).

On approximately October 11, letters will be mailed to borrowers informing them of the potential offset. At that time, each field office will receive a list of borrowers who were sent letters. The AN transmitting that list will provide additional information concerning the removal for reasons that are not reflected in information provided to the Finance Office, such as becoming a Federal employee. A description and samples of the reports that field offices will receive will also be included.

Please call Bob Nelson at 202-475-4705 (FTS 475-4705) with any questions. Field offices with questions related to transaction processing procedures for correcting borrowers' name, addresses or SSNs on Finance Office records may contact their State Automated Data Processing Coordinator or designee.



VANCE L. CLARK
Administrator

Attachments